



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	HB0330	Title:	Revise individual income tax brackets
---------------	--------	---------------	---------------------------------------

Primary Sponsor:	Abbott, Kim	Status:	As Introduced
-------------------------	-------------	----------------	---------------

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$11,938,000	\$49,314,000	\$44,936,000	\$48,169,000
Net Impact-General Fund Balance:	<u>\$11,938,000</u>	<u>\$49,314,000</u>	<u>\$44,936,000</u>	<u>\$48,169,000</u>

Description of fiscal impact: HB 330 would create a new top rate bracket, with a rate of 8.9% starting at a taxable income of \$400,000. This would apply to income starting in tax year 2018. This would increase general fund revenue by \$12 million in FY 2018 and by \$49 million in FY 2019.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- This bill would create a new top rate bracket, with a rate of 8.9% beginning at taxable income of \$400,000. This change would apply beginning in TY 2018.
- The income tax forecasting model was modified by adding the proposed top rate bracket. The following table shows the differences between fiscal year revenue forecast by the modified model and HJ 2.

<u>Fiscal Year</u>	<u>Forecast Difference (\$ million)</u>
2018	19.897
2019	41.355
2020	44.936
2021	48.169

3. Taxpayers are required to pay at least the smaller of 100% of last year's tax liability or 90% of the current year's tax liability. Thus, taxpayers whose tax liability would be increased by this bill would not be required to increase their payments in 2018. The department would issue new withholding tables to take effect January 1, 2018, so affected taxpayers who have tax withheld from periodic payments would have these payments increase automatically. Some taxpayers who make estimated payments would increase their payments in the first half of CY 2018, which is in FY 2018, and some would not.
4. On data from TY 2015 returns that would have been affected by this bill, about two-thirds of payments during the tax year were estimated payments.
5. Because of the information in assumptions #3 and #4, it is assumed that 60% of the increase in the revenue forecast for FY 2018 would occur in FY 2018 but that 40% would occur in FY 2019 as taxpayers would be slow to increase estimated payments or would wait to pay the increased tax when they file their 2018 returns in the spring of CY 2019. The following table shows fiscal year revenue with this delayed increase in payments.

Fiscal Year	Revenue Difference with Slow Payment Adjustment (\$ million)
2018	11.938
2019	49.314
2020	44.936
2021	48.169

6. The department would make changes to tax forms and instructions and to its information processing systems as part of the normal annual update process with no increase in costs.

Fiscal Impact:	FY 2018 <u>Difference</u>	FY 2019 <u>Difference</u>	FY 2020 <u>Difference</u>	FY 2021 <u>Difference</u>
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$11,938,000</u>	<u>\$49,314,000</u>	<u>\$44,936,000</u>	<u>\$48,169,000</u>
TOTAL Revenues	<u>\$11,938,000</u>	<u>\$49,314,000</u>	<u>\$44,936,000</u>	<u>\$48,169,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$11,938,000	\$49,314,000	\$44,936,000	\$48,169,000

Sponsor's Initials

Date

Budget Director's Initials

Date